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SIPDIS

SENSITIVE

DEPT FOR AF/S (MTABLER-STONE)

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SUBJECT: SOUTH AFRICA: SAG ENCOURAGES MORE COLLABORATION
ON USG ASSISTANCE

(U) This cable is Sensitive But Unclassified. Not for
Internet distribution.

1. (SBU) Summary. South Africa's National Treasury conducted a review of U.S. assistance to ensure that all development assistance is South African-led and fully aligned with its development priorities. In checking its findings with U.S. agencies at post, National Treasury officials appreciated discovering the depth of U.S. development assistance to South Africa beyond that of USAID. The officials recommended continuing a dialogue with U.S. agencies that would include working with USAID on a revised joint strategy and including other U.S. agencies in National Treasury's annual discussions with USAID. End summary.

Context of the Meeting

2. (U) In response to a request from the South African National Treasury, CDA Teitelbaum hosted a meeting for National Treasury's Directorate of the International Development Co-operation (IDC) at Embassy Pretoria on September 16. National Treasury wanted to check its findings from a recent review of U.S. assistance. USAID organized the meeting and invited all U.S. agencies who provide assistance to South Africa. Leading the SAG delegation was National Treasury's Chief Director for International Development Cooperation (IDC) Shaheed Rajie. Accompanying him were IDC Director Elaine Venter, IDC Program Manager Paula van Dyk, and Department of Foreign Affairs USA Directorate officials Angus September and Thebe Rammutle.

3. (U) According to material provided by National Treasury officials, the IDC Directorate was responsible for assuring the "efficient and effective management" of Official Development Assistance (ODA) and mobilizing all possible development assistance resources in pursuit of South African Government (SAG) priorities. These priorities included alleviating poverty, accelerating economic growth, creating jobs, strengthening human resources, ensuring the security of its citizens, transforming government to reflect the people-centered nature of its democracy, and improving regional cooperation. The IDC applied a broader definition of ODA than did the OECD; included were grants, technical cooperation, concessional loans, and official assistance to non-state actors (e.g., credit guarantees to the South Africa Department of Trade and Industry).

South Africa's Review

4. (SBU) The primary strategic objective of National Treasury's review was to ensure that all development assistance was South African-led and fully aligned with SAG development priorities. Essential elements of National Treasury's review consisted of assessing the absolute level of ODA provided, any conditions that were tied to the release of ODA, the long-term effect of short-term ODA, and "power imbalances" that might exist between the donors and recipients. Rajie explained that the goals of South African-led development partnerships were to ensure that development assistance was predictable, transparent, and adhered to strong criteria to ensure its optimal use. According to Rajie, an example of a good partnership was the "trilateral cooperation" among South Africa the United States in assisting the DRC, Burundi, Sudan, and Ivory Coast.

5. (SBU) Noting South Africa's new found Upper Middle Income Status (2006 World Bank Development Report), Rajie wondered whether USAID planned to exit the country, despite the continuing challenges that South Africa faced in overcoming a legacy of social inequality. He also noted that the U.S. budget process did not allow for long-term commitments without, as he put it, "the catch phrase: subject to availability of funds."

16. (SBU) To ensure that U.S. assistance was in line with SAG objectives, IDC Director Venter stressed that National Treasury needed to know how and where the money was spent. This would allow National Treasury to fully account for U.S. assistance and fully recognize the U.S. contribution. Currently, IDC could only account for \$69 million of the \$136 million in U.S. ODA estimated for FY 2005. [Note: Post estimates that USG ODA to South Africa was closer to \$187 million for FY2005. IDC appears to have excluded \$50 million in PEPFAR funds. End Note.] Venter said that the SAG wanted to draft a broad bilateral strategy document that incorporated all U.S. assistance for CY2006.

Our Response

17. (SBU) In response, CDA Teitelbaum characterized the uniqueness of the U.S. economy and international cooperation. He pointed out that U.S. assistance was far greater than the numbers captured by ODA, which usually referred only to specific USAID programs. U.S. assistance also included other USG agency programs (not classified as ODA under OECD definitions), and private sector contributions to non-profit organizations. He elaborated on the global benefits of U.S. trade and investment, individual remittances, as well as trade preference programs such as the African Growth and Opportunity Act.

Results and Next Steps

18. (SBU) Rajie and his team appreciated discovering the depth of U.S. development assistance to South Africa beyond that of USAID. While at the beginning of the meeting Rajie noted that U.S. ODA fell far short of the "internationally-agreed" level of 0.7% of GDP, at the end he agreed that the United States provided far more development assistance than would be categorized under the OECD's definition of ODA. Rajie recommended that the United States and South Africa continue to discuss development assistance programs and that the IDC continue working with USAID on a revised joint strategy to be completed by December 2005. He also recommended that other U.S. agencies participate in annual USAID discussions with the IDC to ensure that the SAG grasped the extent of USG contributions to South African development.

TEITELBAUM